



**Director of
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CIA LATE ITEM

IRAN: Decision on Hostages

According to press reports, Ayatollah Khomeini today gave the students permission to release the hostages to the Iranian Government.

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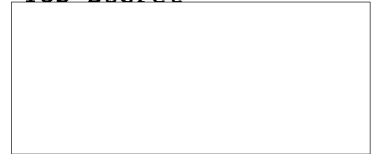
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3 November 1980

25X1

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Contents

25X1

Situation Reports

Iraq-Iran	1
Poland	4

25X1

Briefs and Comments



El Salvador: <i>West European Socialists' Views</i>	8
USSR - Western Europe: <i>Gas Pipeline Project</i>	9
Zaire-Uganda: <i>Border Problems</i>	10

25X1



The Gambia - Senegal: <i>Security Forces Requested</i>	11
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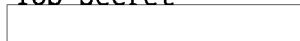
Special Analysis

Israel: <i>Impact of the War Between Iraq and Iran</i>	12
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25X1



Top Secret



3 November 1980

25X1

Top Secret

25X1

SITUATION REPORTS

IRAQ-IRAN

The Islamic Consultative Assembly's resolution on the hostages will probably gain wide backing in Iran, but extremists will seek to exploit its conditions to prolong the crisis.

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Most Iranians have long favored an end to the hostage crisis, leaving Tehran free to concentrate on the war effort. A commentary on Tehran radio yesterday emphasized that the release of the hostages is not a sign of weakness, the first such editorial broadcast in Farsi to the Iranian populace. On Friday Tehran radio broadcast an Arabic commentary claiming that release of the hostages will be a victory for Iran.

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The editorial also stressed that the hostages may be freed in stages as the US meets Iran's conditions and noted that some of the hostages would be tried as spies if the US fails to meet all of Iran's demands.

Extremist clerics and at least some of the militants holding the hostages will urge the government to adhere strictly to the resolution's demands. The militants are to meet with Khomeini today. They could refuse to give up some or all of the hostages if the government tries to compromise on the Assembly's terms. Tomorrow's scheduled demonstration at the US Embassy compound is probably designed to rally support for the militants.

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The extremists could gain support from some Iranian leftists. The Mujahedin had been urging the Assembly to postpone the hostage issue until the war with Iraq ends. The leader of the pro-Soviet Tudeh Party, however, has publicly favored an end to the crisis.

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Baghdad has not reacted publicly to the Assembly's decision. Iraqi Foreign Minister Hammadi said on Saturday that if the US sends military equipment to Iran Baghdad will conclude the US is no longer neutral "whatever

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3 November 1980

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excuse it uses." A senior Iraqi Foreign Ministry official informed the US that Iraq has learned that "significant and lethal" weapons are "in the pipeline" for Iran and that Iraq is worried new arms sales are in the offing.

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[redacted]

Moscow quickly reported the Assembly's terms for the hostages' release, but the TASS report stressed those provisions that could lead to a staged release or possible trials if Iranian demands are not met. A commentary by the Soviet-sponsored National Voice of Iran on Friday continued to encourage those in the Assembly opposed to release of the hostages but also stressed that the US would remain Iran's principal enemy even if the question is resolved. Moscow's initial reaction to a hostage release is likely to entail an intensification of propaganda efforts aimed at ensuring continued Iranian antagonism toward the US.

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[redacted]

Domestic Support for War in Iraq

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[redacted] President Saddam Hussein, who earlier was thought to be uninterested in finding a peaceful solution, is now seen by many Iraqis as having given Iran ample opportunity to stop the shooting and begin negotiations. Popular frustration with Iran is

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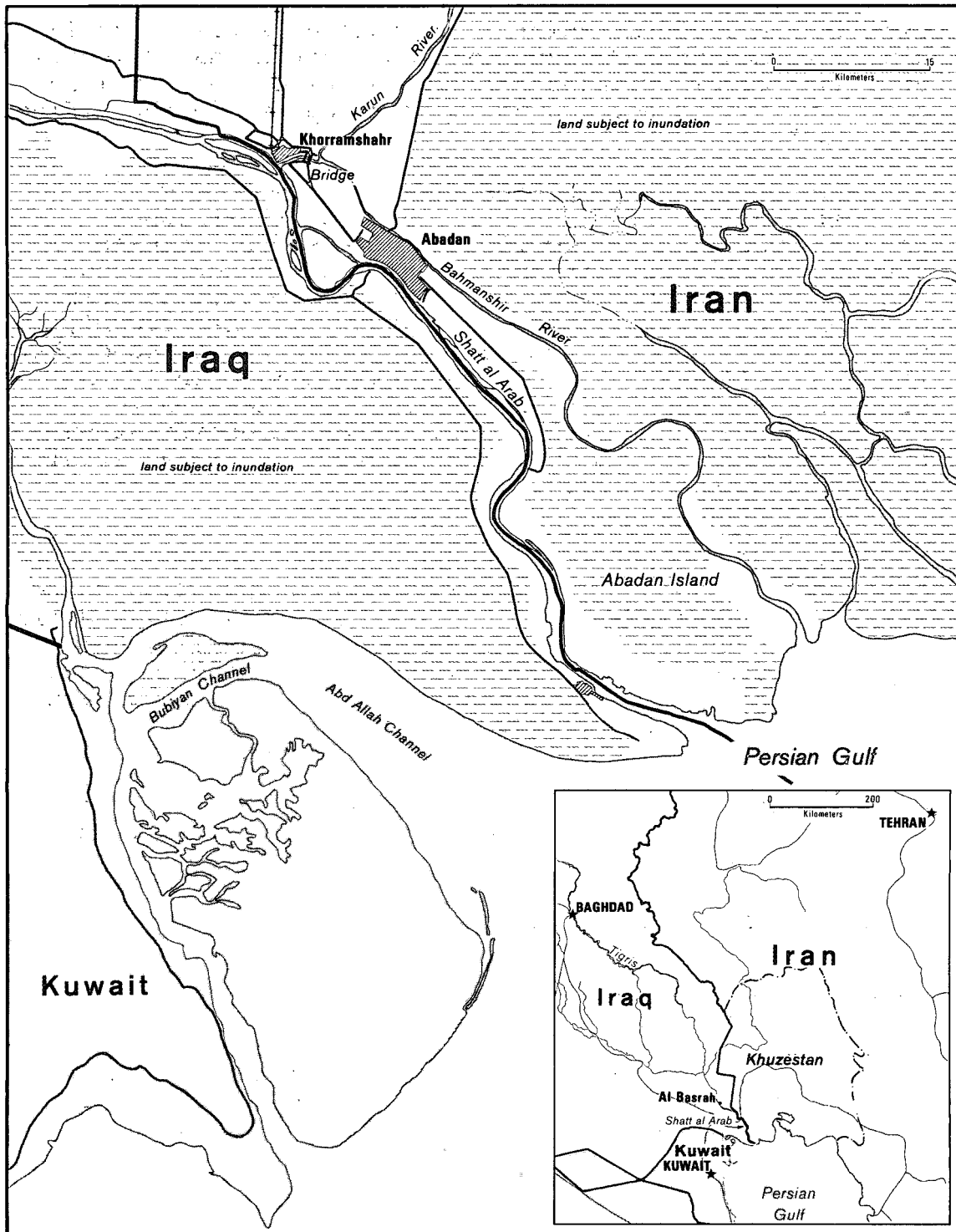
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3 November 1980

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stimulating talk in the streets that the Iraqi military should step up the fighting and seize more of Khuzestan.

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Iraqi officials claim to have made progress last month in disrupting the activities of the Shia opposition Dawa Party. A number of arrests were made in Baghdad and other cities, but authorities do not believe that Shia dissidence has been dealt a crippling blow. Officials were disturbed to discover tentative evidence of links between Dawa and Iraqi Communists. Dawa has in the past rebuffed Communist attempts at cooperation.

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The government apparently believes it can prevent Dawa from fomenting trouble in urban areas. Officials admit, however, that the party retains the capability to cause major disruptions in Al Basrah, the site of recent terrorist attacks on Baath Party and security personnel.

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3 November 1980

Top Secret

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POLAND

The lengthy negotiations on Friday between Solidarity and the regime did not resolve key differences and may have only postponed a confrontation. [redacted]

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Although both sides reportedly approached the talks in a businesslike manner, the agreements reached were only verbal and tentative and lack detail. On the most sensitive issue--recognition by Solidarity in its charter of the leading role of the party--the regime seemed to agree only that the Supreme Court would resolve the issue on 10 November. Union leader Lech Walesa has said that the 12 November "strike alert" will remain in effect. [redacted]

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The government may hope that it can work out some accommodation this week with the moderates in Solidarity who seem ready to accept some reference to the party's role. The regime also may hope it can turn public opinion against a strike [redacted]

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[redacted]
If the regime does not intend to compromise, it has nine days to prepare for a strike. [redacted]

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The apparent lack of specific agreements probably will not weaken the resolve of the more militant members of Solidarity. They will point to the government's behavior as just another effort to stall and as an indication that it cannot be trusted. The militants probably will not be able to precipitate any dramatic action by Solidarity before 12 November; the moderates will argue that the regime must be given another chance to show its willingness to cooperate. The Solidarity leadership will meet again this evening to discuss tactics. [redacted]

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Polish and Soviet media commentary on the Kania-Brezhnev meeting on Thursday has followed closely the language of the communique that indicated a measure of Soviet support for the Kania regime. [redacted]

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25X1

3 November 1980

Top Secret
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If Kania got Brezhnev's blessing for the concessions needed to forestall a general strike, he succeeded in making the Soviets party to the latest effort to appease the union. He also made it easier for Warsaw to live with the shrill criticism emanating from East Berlin and Prague. [redacted]

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Should the regime find itself under new pressure for concessions that go beyond what Kania appears to have extracted from Moscow, the Polish leadership may be in a serious jam. The coming days should provide indications of the direction the Polish crisis may take. They include:

- Signs that the verbal understanding is taking root or fraying.
- Whether the Supreme Court registers the charter by 10 November as agreed on Friday.
- Evidence how East Berlin and Prague react to the situation. Their continued criticism could pressure Moscow to reconsider the parameters set for Kania to conciliate the union.

[redacted]
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East German Reaction

The East Germans continue to warn the Poles and the East German populace that the Soviets and East Germans will intervene in Poland if necessary. The US Embassy in East Berlin has reported that the party newspaper *Neues Deutschland* last Wednesday used very harsh language to make this point. The paper printed an alleged summary of an article that appeared in the Polish Army daily paper to stress that Poland is in the Soviet sphere of interest and has "allies on all sides" who are concerned about Polish internal security. The article also makes clear that the government will continue to limit the East German populace's personal contacts with Poles and West Germans. [redacted]

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EL SALVADOR: West European Socialists' Views

At its congress this month in Madrid, the Socialist International probably will reaffirm its support for the Salvadoran leftist Revolutionary Democratic Front, which is trying to overthrow the junta.

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The Socialist International is increasingly active in Central America and has helped to limit European member parties' support of the junta and to legitimize the revolutionaries internationally. While the West German Government in particular is anxious to expand European influence in Central America, it has not relied on official reporting to evaluate the political forces in the region. Instead Bonn has relied heavily on information provided by Latin American socialist parties to Chancellor Schmidt's Social Democratic Party.

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The National Revolutionary Movement, a more moderate component of the leftist Front, is a member of the International. Its leader, Guillermo Ungo, has convinced some Socialist International party leaders that the junta is responsible for atrocities in El Salvador and that the Salvadoran leftists are committed to democratic principles.

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Secretary General Carlsson says that the International deeply regrets its failure to support Ungo immediately after the coup last year and that it wants to get the US to change its policy toward El Salvador. Carlsson understands, on the other hand, that some trade unions affiliated with the National Revolutionary Movement do not strongly oppose the junta.

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The International is beginning to recognize that the National Revolutionary Movement is little more than a political splinter group whose social democratic principles would be submerged in any leftist government. Socialist International policy, however, is likely to change only if Ungo can be persuaded to support the junta.

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3 November 1980

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USSR - WESTERN EUROPE: Gas Pipeline Project

The USSR is moving ahead with plans for the proposed West Siberian - West European gas pipeline, and a final decision may come early next year.

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Soviet Deputy Foreign Trade Minister Sushkov recently said a project feasibility study would be presented to the leadership late this month. Moscow now seems to be favoring construction of a dual pipeline system, which would be easier to operate and allow Moscow to add other West European customers.

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The hard currency cost of a dual system could exceed \$10 billion, while a single-line system probably would cost only about \$6 billion. Equipment for drilling wells and for extracting and processing the gas in West Siberia probably would constitute additional costs.

Soviet officials remain concerned about access to US compressors, and Moscow apparently favors limiting a US role to compressors manufactured in Europe under license. To allay concerns about dependence on Western imports, the Soviets are asking both US and British compressor manufacturers to agree to installing a plant for compressor spare parts in the USSR.

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3 November 1980

Top Secret

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ZAIRE-UGANDA: Border Problems

President Mobutu is trying to establish more effective Zairian Government control over the region of north-eastern Zaire from which former Ugandan soldiers launched an attack into Uganda last month. A battalion of Zairian troops recently was sent to the northeast, and Mobutu is visiting the area to assess the situation. He also has obtained President Giscard's agreement to let French military advisers in Zaire join the battalion. The indiscipline of Zairian troops and the Army's logistical weaknesses, however, probably will make it difficult for the government to police the area. The presence of Ugandan dissidents and thousands of refugees in the region thus will continue to strain relations between Zaire and Uganda.

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3 November 1980

Top Secret

25X1

THE GAMBIA - SENEGAL: Security Forces Requested

Approximately 150 Senegalese troops took over security functions in Banjul over the weekend at the request of Gambian President Jawara. Jawara apparently was concerned that pro-Libyan dissidents would retaliate for his decision last week to break diplomatic relations with Tripoli for allegedly using The Gambia as a springboard for subversive activities in West Africa. Jawara also banned opposition political parties following a raid Friday on the Movement for Justice in Africa, which resulted in the seizure of a "large" cache of weapons. Senegal, which broke relations with Libya last summer, had been urging Jawara to follow suit and may have volunteered the troops since The Gambia has only a small police force to maintain the country's security.

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Top Secret

3 November 1980

Top Secret

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SPECIAL ANALYSIS

ISRAEL: Impact of the War Between Iraq and Iran

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Israeli leaders concede that the war reduces the short-term threat to Israel's security but remain apprehensive that it eventually could facilitate dangerous gains by Iraq and the USSR. This perception will further strengthen Prime Minister Begin's reluctance to consider major new concessions in the Palestinian autonomy negotiations with Egypt. Begin probably will try to blunt the negative effect of his hardline negotiating stance by emphasizing the "larger" need for US-Israeli-Egyptian cooperation on regional security that transcends unresolved autonomy issues.

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Israel's fears of a rapid victory by Iraq have faded. The Israelis now believe that President Saddam Hussein underrated domestic support for Ayatollah Khomeini and Iranian defense capabilities. Whatever the outcome, the Israelis expect Iraqi troops to be tied down for a long time.

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The Israelis' greatest worry over the long run is that Iraq gradually could wear down Iran and dictate a settlement. They expect that Iraq, having thus demonstrated its dominance in the Persian Gulf, would then concentrate on consolidating an "eastern front" against Israel by forging new military ties with Jordan and Saudi Arabia. Israel anticipates that Moscow would follow up an Iraqi victory by increasing support for the pro-Soviet Tudeh Party in Iran and by encouraging various Iranian ethnic separatist movements.

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Tel Aviv would prefer a prolonged, inconclusive struggle that sapped Iraq's military strength. The Israelis would worry, however, that the Soviets could exploit such a development to strengthen their influence in Iraq, while increasing subversion against Iran.

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Israel suspects the Soviets are maintaining a neutral position on the conflict in order eventually to offer to mediate. Former Foreign Minister Dayan believes a successful mediation effort by Moscow "would put the Soviets in Afghanistan, Iran, Iraq, and Syria" and further reduce US influence in the region. [REDACTED]

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Begin's Tactics

Begin will claim that continued Israeli control over the crucial aspects of life in the occupied West Bank and Gaza Strip--land, water, Jewish settlements, internal order--is more than ever essential to safeguard Israel's security. He will continue to support an active Jewish settlements program to entrench further the Israeli presence in both areas. The Prime Minister probably aims to increase the number of Jewish settlers on the West Bank and the territory under their control by "thickening" existing sites and establishing cluster colonies around established settlements. [REDACTED]

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At the same time, Begin will try to project an attitude of flexibility in the autonomy negotiations. He is likely to continue to make various tactical gestures, such as his recent decisions to release a few West Bank and Gaza prisoners, and to reiterate publicly his willingness to negotiate "without preconditions." By such moves, Begin will seek to refute charges that he is responsible for the deadlock in the talks and try to deflect anticipated US pressure for new concessions by shifting responsibility to President Sadat. [REDACTED]

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Relations with the US and Egypt

The Israeli leader believes the war has further confirmed the view of almost all Israelis that Muslim states are inherently unstable and that the Iraqi regime is particularly reckless. In the Israelis' opinion, Muslim political and religious antagonisms and Soviet machinations--rather than the Arab-Israeli conflict--are the central forces for instability in the region. [REDACTED]

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Begin and other Israeli leaders involved in the autonomy negotiations are certain to press this argument and to discuss regional security issues at length in future meetings with US and Egyptian officials. The Israelis probably will reiterate that Israel, the US, and Egypt should subordinate their disagreements over Palestinian autonomy in favor of cooperating on regional security to counter Soviet expansionism and to preserve Western access to Arab oil. [redacted]

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To this end, Begin is certain to restate his willingness to allow long-term US use of Israeli military facilities. He also may explore the possibility of US-Israeli-Egyptian use of major airbases in the Sinai that Israel is obligated by the peace treaty to evacuate when the remainder of the Sinai is returned to Egypt in April 1982. [redacted]

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3 November 1980

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